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RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT

ADR

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

E-filing

EVERIST GENOMICS, INC., a Michigan corporation, Plaintiff, v. MARIA A. MERCHANT, Defendant.	Case No. CV 11-00437 HRL **COMPLAINT FOR FRAUD AND NEGLIGENT MISREPRESENTATION** JURY TRIAL DEMANDED

Plaintiff Everist Genomics, Inc., a Michigan corporation, alleges as follows:

THE PARTIES

1. Plaintiff Everist Genomics, Inc. ("EG"), formerly known as Genetics Squared, Inc., is a Michigan corporation with its principal place of business in Ann Arbor, Michigan.

2. Defendant Maria A. Merchant ("Merchant"), also known as Maria A. Parfenov, Maria A. Parfenova and Maria A. Parfyonova, is a citizen of the State of California and resides in Santa Clara County, California. Defendant Merchant was the Chief Executive Officer and a Director of Angiologix Inc., a Delaware corporation ("Angiologix"), from the time of Angiologix's formation on or about March 22, 2007 until her voluntary resignation from such positions on September 13, 2010 and October 15, 2010, respectively.

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JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1332 because Plaintiff EG and Defendant Merchant are citizens of different states and the amount in controversy in this matter, exclusive of interest and costs, exceeds the sum of $75,000.

4. Venue is proper in this judicial district pursuant to 28 U.S.C. §1391(a) because Defendant Merchant resides in this judicial district and because a substantial part of the events or omissions giving rise to the claim occurred in this judicial district.

INTRADISTRICT ASSIGNMENT

5. Assignment of this action to the San Jose Division is proper pursuant to Civil L. R. 3-2(c) because Defendant Merchant resides in Santa Clara County and because a substantial part of the events or omissions giving rise to the claim occurred within Santa Clara County.

BACKGROUND

Everist Genomics, Inc.

6. Plaintiff EG develops prognostic and diagnostic medical technologies that assist with the early detection of certain diseases, including cancer and heart disease. In or about mid 2009, Plaintiff EG began to explore potential investment opportunities with several prognostic and diagnostic medical device companies. One such company was Angiologix.

Angiologix Inc.

7. Plaintiff EG is informed and believes and based thereon alleges that Angiologix is a diagnostic medical device company that was formed on or about March 22, 2007 by Defendant Merchant and her father, Alexandr S. Parfenov. Defendant Merchant represented to Plaintiff EG that Angiologix had developed a patent pending method to non-invasively measure the endothelial function in a person, which is an early indicator of cardiovascular disease, and had designed and produced a prototype device named the "AngioEF-3000."

8. Defendant Merchant held approximately 18% of the capital stock of Angiologix, and together with her father who held another approximately 18% of the capital stock, controlled approximately 36% of the capital stock of Angiologix.

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FIRST CAUSE OF ACTION FOR FRAUD

9. Plaintiff EG repeats and realleges paragraphs 1 through 8 as though fully set forth herein.

10. On or about February 1 and 2, 2010, Defendant Merchant orally represented to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton, representatives of Plaintiff EG, that the AngioEF-3000 could be brought to market by the third quarter of 2011 at a total cost of $1.71 million. Defendant Merchant's verbal representations were repeated in a written presentation prepared by Defendant Merchant, which Defendant Merchant provided to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton on or about February 1 and 2, 2010.

11. The representations were false and Defendant Merchant knew these representations were false at the time she made them. In truth, Defendant Merchant knew that the AngioEF-3000 could not be brought to market until at least the third quarter of 2012 and at a cost of no less than $3 million. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on these representations.

12. On or about February 1 and 2, 2010, Defendant Merchant orally represented to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton, representatives of Plaintiff EG, that the design and engineering of the prototype device met commercial standards and could be produced in production quantities in a short period of time.

13. The representations were false and Defendant Merchant knew these representations were false when she made them. In truth, Defendant Merchant knew that the design and engineering of the AngioEF-3000 was sub-standard and that significant design and engineering changes would need to be made before the AngioEF-3000 could be brought to market. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on said representations.

14. During meetings with Dr. Prasad Sunkara, Bill Worzel and Alex Charlton on or about February 1 and 2, 2010, and in the written Securities Purchase Agreement pursuant to

which Plaintiff EG purchased stock of Angiologix, Defendant Merchant represented orally and in writing that Angiologix's rights to all of its intellectual property were perfected and protected and all documents relating to Angiologix's intellectual property had been properly executed and recorded with the appropriate patent offices. Further, Defendant Merchant represented that all of the intellectual property, technology and other inventions utilized in Angiologix's products, including the AngioEF-3000, had been properly assigned to Angiologix by herself, her father and Nikolay Konstantinov, another inventor and a relative of Defendant Merchant.

15. The representations were false and Defendant Merchant knew these representations were false when she made them. In truth, Defendant Merchant knew that she had failed to record necessary and required documents with the appropriate patent offices, that required filing fees had not been paid and that deficiencies in the assignments could negatively affect Angiologix's ability to perfect and enforce its rights domestically and abroad. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on said representations.

16. Defendant Merchant did not disclose to Plaintiff EG that she held an ownership interest in Angioscan Ltd. ("Angioscan"), a Russian entity that her father owned. Defendant Merchant also did not disclose that Angioscan claimed to hold a royalty-free license to use Angiologix's intellectual property in Russia and other eastern European territories. Defendant Merchant knew that the suppression of these facts was likely to mislead Plaintiff EG, and did in fact mislead Plaintiff EG in light of the other representations made by Defendant Merchant with respect to the products and intellectual property of Angiologix. Said failure to disclose by Defendant Merchant was made with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix. As the founder, CEO and a Director of Angiologix, Plaintiff EG had no reason to think Defendant Merchant was involved in another venture that directly competed with Angiologix and reasonably relied upon her silence. At the time Defendant Merchant resigned her position with Angiologix in September 2010, Defendant Merchant declared that she and her father would use Angiologix's intellectual property "to develop any products we want."

17. At the time these representations and failure to disclose occurred and Plaintiff EG purchased stock of Angiologix, Plaintiff EG was ignorant of the falsity of Defendant Merchant's representations and believed them to be true and was ignorant of the existence of the facts that Defendant Merchant suppressed and failed to disclose. Had Plaintiff EG known the actual facts it would not have taken such action.

18. Plaintiff EG reasonably relied upon Defendant Merchant's material misrepresentations and omissions because she was the co-founder, a Director and the CEO of Angiologix, one of the primary developers of the AngioEF-3000 and one of the inventors of Angiologix's intellectual property.

19. In reliance on the fraudulent representations and omissions of Defendant Merchant, on or about July 8, 2010, Plaintiff EG was induced to enter into a Securities Purchase Agreement with Angiologix and other shareholders of Angiologix whereby Plaintiff EG purchased 4,713,144 shares of Series A Preferred Stock of Angiologix for the total sum of $3 million. Upon the closing of the transaction involving the Securities Purchase Agreement, Plaintiff EG became the majority shareholder of Angiologix, holding approximately 66% of the capital stock of Angiologix.

20. As a proximate result of the fraudulent conduct of Defendant Merchant, Plaintiff EG has been damaged in that it paid more for the stock of Angiologix than the value of said stock, it has been required to expend time and money to attempt to cure the issues caused by said fraudulent conduct and has lost the profits or other gains that were reasonably anticipated as resulting from its investment in Angiologix, all in an amount presently unascertained, but in excess of $50 million.

21. The aforementioned conduct of Defendant Merchant was an intentional misrepresentation, deceit and concealment of material facts known to her with the intention on her part of thereby depriving Plaintiff EG of property or otherwise causing injury, and was despicable conduct that subjected Plaintiff EG to a cruel and unjust hardship in conscious disregard of its rights so as to justify an award of punitive damages.

SECOND CAUSE OF ACTION FOR NEGLIGENT MISREPRESENTATION

22. Plaintiff EG repeats and realleges paragraphs 1 through 8 as though fully set forth below.

23. On or about February 1 and 2, 2010, Defendant Merchant orally represented to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton, representatives of Plaintiff EG, that the AngioEF-3000 could be brought to market by the third quarter of 2011 at a total cost of $1.71 million. Defendant Merchant's verbal representations were repeated in a written presentation prepared by Defendant Merchant, which Defendant Merchant provided to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton on or about February 1 and 2, 2010.

24. The representations were false and made by Defendant Merchant without reasonable ground for believing them to be true, as Defendant Merchant was a developer of the AngioEF-3000, Chief Executive Officer and Director of Angiologix and knew that the AngioEF-3000 could not be brought to market until at least the third quarter of 2012 and at a cost of no less than $3 million. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on these representations.

25. On or about February 1 and 2, 2010, Defendant Merchant orally represented to Dr. Prasad Sunkara, Bill Worzel and Alex Charlton, representatives of Plaintiff EG, that the design and engineering of the prototype device met commercial standards and could be produced in production quantities in a short period of time.

26. The representations were false and made by Defendant Merchant without reasonable ground for believing them to be true, as Defendant Merchant knew that the design and engineering of the AngioEF-3000 was sub-standard and that significant design and engineering changes would need to be made before the AngioEF-3000 could be brought to market. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on said representations.

27. During meetings with Dr. Prasad Sunkara, Bill Worzel and Alex Charlton on or about February 1 and 2, 2010, and in the written Securities Purchase Agreement pursuant to

which Plaintiff EG purchased stock of Angiologix, Defendant Merchant represented orally and in writing that Angiologix's rights to all of its intellectual property were perfected and protected and all documents relating to Angiologix's intellectual property had been properly executed and recorded with the appropriate patent offices. Further, Defendant Merchant represented that all of the intellectual property, technology and other inventions utilized in Angiologix's products, including the AngioEF-3000, had been properly assigned to Angiologix by herself, her father and Nikolay Konstantinov, another inventor and a relative of Defendant Merchant.

28. The representations were false and made by Defendant Merchant without reasonable ground for believing them to be true, as Defendant Merchant knew that she had failed to record necessary and required documents with the appropriate patent offices, that required filing fees had not been paid and that deficiencies in the assignments could negatively affect Angiologix's ability to perfect and enforce its rights domestically and abroad. Defendant Merchant made these representations with the intention to deceive and defraud Plaintiff EG and to induce Plaintiff EG to purchase stock of Angiologix in reliance on said representations.

29. At the time these representations occurred and Plaintiff EG purchased stock of Angiologix, Plaintiff EG was ignorant of the falsity of Defendant Merchant's representations and believed them to be true. Had Plaintiff EG known the actual facts it would not have taken such action.

30. Plaintiff EG reasonably relied upon Defendant Merchant's material misrepresentations because she was the co-founder, a Director and the CEO of Angiologix, one of the primary developers of the AngioEF-3000 and one of the inventors of Angiologix's intellectual property.

31. In reliance on the fraudulent representations of Defendant Merchant, on or about July 8, 2010, Plaintiff EG was induced to enter into a Securities Purchase Agreement with Angiologix and other shareholders of Angiologix whereby Plaintiff EG purchased 4,713,144 shares of Series A Preferred Stock of Angiologix for the total sum of $3 million. Upon the closing of the transaction involving the Securities Purchase Agreement, Plaintiff EG became the majority shareholder of Angiologix, holding approximately 66% of the capital stock of

Angiologix.

32. As a proximate result of the fraudulent conduct of Defendant Merchant, Plaintiff EG has been damaged in that it paid more for the stock of Angiologix than the value of said stock, it has been required to expend time and money to attempt to cure the issues caused by said fraudulent conduct and has lost the profits or other gains that were reasonably anticipated as resulting from its investment in Angiologix, all in an amount presently unascertained, but in excess of $50 million.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Everist Genomics, Inc. prays for judgment as follows:

A. Damages in an amount not presently ascertained, but which will be proven at trial, but not less than $50 million;

B. Punitive damages according to proof;

C. Interest to the extent allowed by law;

D. Costs of suit incurred herein; and

E. Such other and further relief as this Court deems just and equitable.

Dated: January 27, 2011

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MICHAEL R. MATTHIAS

Michael R. Matthias
Attorneys for Plaintiff
EVERIST GENOMICS, INC.

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ATTORNEYS AT LAW
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DEMAND FOR JURY TRIAL

Plaintiff Everist Genomics, Inc. hereby demands trial by jury in this matter.

Dated: January 27, 2011

BAKER & HOSTETLER LLP
MICHAEL R. MATTHIAS

Michael R. Matthias
Attorneys for Plaintiff
EVERIST GENOMICS, INC.